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Brazilian imports of U.S. wheat in 2010

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Grain and Feed

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Report Highlights:

Brazil imported from the United States 427,000 tons (mt) of wheat, valued at US\$98 million between January and October 2010. A shortage of quality domestic wheat plus a favorable exchange rate boosted U.S. imports to their second highest level in the past 8 years.

In 2011, given that Argentina's projected 2010/11 wheat production is 13.50 million metric tons (mmt) compared to the past two harvests when production averaged 10 mmt, Brazil's wheat imports from the United States are expected to be limited.

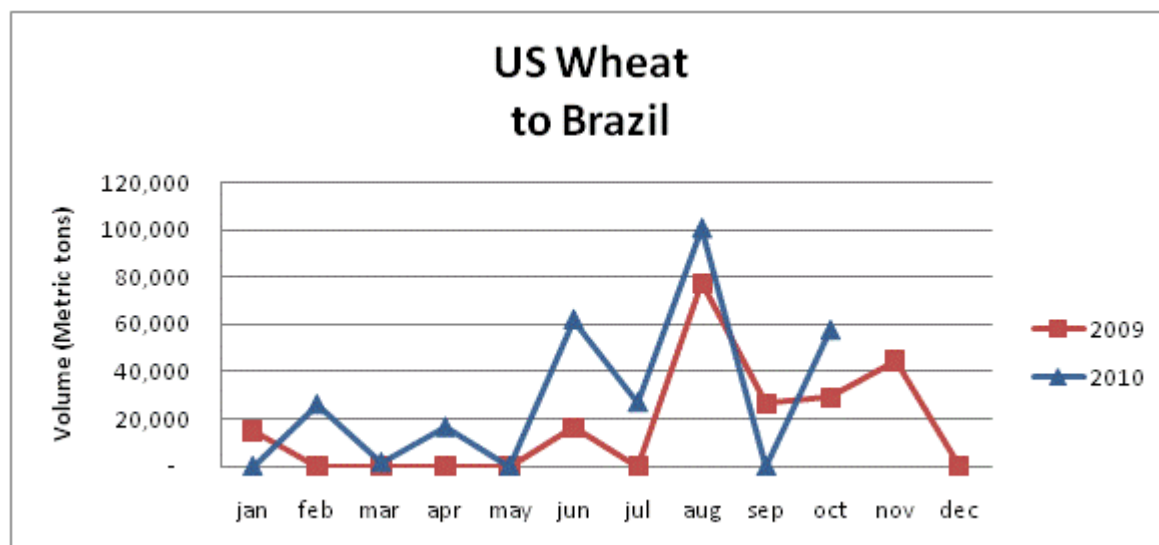
General Information:

Brazilian imports of U.S. wheat in 2010 exceed 425,000 tons

U.S. Wheat Imports January-October 2010 Valued At \$98 Million

According the Brazilian Customs' data, Brazil imported from the United States 427,000 mt of wheat, valued at US\$98 million between January and October 2010. A shortage of quality domestic wheat plus favorable exchange rate boosted U.S. imports to their second highest level in the past 8 years.

During this period, the United States was Brazil's fourth largest supplier of wheat, exporting 250 percent more wheat than during the same period in CY2009. In the past three years, November and December U.S. exports have averaged 41,000 mt as exports decline when the Argentine and domestic crop become available. Total U.S. exports in 2010 are expected to exceed 460,000 mt.



Source: Foreign Trade Secretariat (Secex)

Total Wheat Imports January-October 2010 Rise 16 Percent

Total imports for Brazil, the world's third largest wheat importer, have increased 16 percent so far this year. Imports from Argentina and Uruguay have increased 20 percent to 3.9 mmt and 11 percent to 954,000 mt respectively, more than offsetting a 35 percent drop in imports from Paraguay.

Argentina's market share rose to 65 percent of total imports, still well below its ten year average market share of 85 percent. Uruguay's market share remained at 15 percent, about 11 percent of total imports originated in the United States or Canada and Paraguay accounted for 7 percent of imports.

Last year's wheat crop in Brazil was severely damaged by heavy rains in October, dropping total production 10 percent from the previous year. Poor harvest conditions reduced one-third of the key state of Parana crop to feed wheat quality necessitating increased imports of bread quality wheat.

During the period January-October 2010 the medium price of imported wheat was \$US235 per ton, 5.8 percent

higher than 2009. During this period, the exchange rate averaged R\$1.78 to US\$1, a drop of around 15 percent in relation to the average value between January and October 2009.

Argentina's projected 2010/11 wheat production is 13.50 mmt compared to the last two harvests when production averaged 10.3 mmt. Therefore, Argentina will increase its wheat market share in Brazil under preferential Mercosul trade terms, thus limiting U.S. imports in 2011.

Country	Jan-Oct 2009	Jan-Oct 2010
Argentina	3,214,000	3,941,000
Uruguay	857,000	954,000
Paraguay	695,000	451,000
United States	164,492	426,964
Canada	301,623	288,339
Russia	0	28,715
TOTAL	5,248,000	6,105,000

Source: Foreign Trade Secretariat (Secex)

Congressman Proposes Prohibiting Wheat Imports from August to December

On November 19, a Congressman from Parana, the top wheat producing state, proposed a bill to prohibit wheat imports from August to December, the months of the domestic harvest. For the past five years, around 2.2 mmt of grain and 250,000 mt of flour (342,000 mt flour equivalent) were imported during that time frame. There has been no public mention of potential WTO implications. In addition, the proposal recommends raising the Common External Tariff from 10 percent to 35 percent, Brazil's WTO bound rate. Sources doubt that the Brazilian Congress will pass this proposal.

January-October 2010 Brazilian Wheat Exports Reach Record 1.15 MMT

January-October 2010 Brazilian wheat exports were a record 1.15 mmt. Top destinations included the United States, Vietnam and the Philippines. As previously reported, wheat exports are a result of government support via the Subsidy Auction Program (PEP). The program is being used to export feed-quality wheat from the rain-damaged 2009 harvest as well as ship wheat domestically to grain-deficit areas. The government recently announced that it will auction off up to an additional 1.6 mmt of wheat via the PEP program. The most recent auctions of 300,000 tons on November 25 and 470,000 tons on December 2 were 75 percent and 90 percent subscribed, respectively.

Country	Jan-Oct 2009	Jan-Oct 2010
United States	126,000	169,000
Vietnam	0	241,000
Philippines	0	229,000
TOTAL	385,000	1,115,000

Source: Foreign Trade Secretariat (Secex)